

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-04 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-05 NSAE-00 XMB-02 OPIC-03 LAB-01

SIL-01 FTC-01 L-01 H-01 PA-01 PRS-01 USIA-06 EA-06

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R 012011Z NOV 74

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 4892

INFO AMCONSUL CALGARY

AMCONSUL TORONTO

AMCONSUL VANCOUVER

UNCLAS OTTAWA 3585

E.O. 11652: N/A

TAGS: ECON, CA

SUBJ: GOC ANNOUNCES FIRST TWO DISAPPROVALS OF FOREIGN
TAKEOVERS AND APPROVAL OF SEVEN OTHERS

REF: OTTAWA A-469, SEPT 13, 1974

1. MINISTER OF INDUSTRY, TRADE AND COMMERCE ALASTAIR
GILLESPIE ANNOUNCED ON OCT 31 THAT GOC HAD ACTED ON TEN
PROPOSALS TO ACQUIRE CONTROL OF BUSINESSES IN CANADA. FOREIGN
INVESTMENT REVIEW AGENCY (FIRA) HAD DISALLOWED TWO
FOREIGN TAKEOVERS AND PERMITTED SEVEN OTHER
FOREIGN TAKEOVERS AND ONE ACQUISITION OF CANDIAN FIRM BY
ANOTHER CANADIAN FIRM.

2. ANNOUNCEMENT BY MR. GILLESPIE DID NOT GIVE ANY DETAILED
REASONS FOR THE REJECTION OF THE TWO TAKEOVERS, OTHER THAN
THE "PROPOSALS WERE DISALLOWED AS NOT MEETING THE TEST OF
SIGNIFICANT BENEFIT IN ACCORDANCE WITH THE CRITERIA SET OUT
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IN THE ACT". PROPOSALS DISALLOWED WERE BY TAYLOR FORGE LTD.,
SUBSIDIARY OF GULF AND WESTERN, TO ACQUIRE CONTROL OF

CANADA FORGINGS, AND BY CANADIAN OHIO BRASS LTD., SUBSIDIARY OF OHIO BRASS LTD., TO ACQUIRE CONTROL OF CANADIAN PROCELAIN. UNLIKE ANNOUNCEMENT OF ACQUISITION OF MULDER LTD. BY BRITISH HODGE GROUP (REFAIR), OCT. 31 ANNOUNCEMENT GAVE ONLY GENERAL "BENEFITS TO CANADA" CRITERIA FOR SEVEN FOREIGN TAKEOVERS OF CANADIAN FIRMS. THESE WERE INTER ALIA: EMPLOYMENT, INVESTMENT AND PROCUREMENT OF CANADIAN GOODS AND SERVICES, PARTICIPATION BY CANADIANS, IMPROVED EFFICIENCY, BETTER EXPORT PERFORMANCE AND IMPROVEMENT IN R&D. ANNOUNCEMENT POINTED OUT THAT "APPLICANTS' PLANS AND UNDERTAKINGS ARE NORMALLY GIVEN TO THE GOVERNMENT ON A STRICTLY CONFIDENTIAL BASIS, AND THEIR DISCLOSURE, IN DETAIL, TO COMPETITORS WOULD BE UNFAIR AND WOULD FREQUENTLY RESULT IN A SIGNIFICANTLY LESSER BENEFIT TO CANADA".

3. ALLOWED PROPOSALS WERE (NATIONALITY OF FIRMS IN PARENTHESES):

A. MAREMONT CORP. (US) TO ACQUIRE VAN DER HOUT ASSOCIATES (CAN.)

B. ORENSTEIN & KOPPEL AKTIENGESELLSCHAFT (FRG) TO ACQUIRE IM DIVISION OF CLARK EQUIPMENT OF CANADA (US SUBSIDIARY)

C. COSMAIR LTD. (CANADIAN COMPANY CONTROLLED BY FRENCH SHAREHOLDERS) TO ACQUIRE DUBARRY COSMETICS DIVISION OF WARNER-LAMBERT CANADA LTD. (US SUBSIDIARY)

D. HUGHES TOOL COMPANY (US) TO ACQUIRE BJ WELL SERVICES (US SUBSIDIARY)

E. TOMENSON-ALEXANDER ASSOCIATES (CAN-US PARTNERSHIP) TO ACQUIRE RETIREMENT PLAN SERVICES (CAN.)

F. BESTPIPE LTD. (AUSTRALIAN SUBSIDIARY) TO ACQUIRE FLEX-LOX INDUSTRIES (CAN.)

G. PROLINE PIPE EQUIPMENT LTD. (US SUBSIDIARY) TO ACQUIRE PLICOFLEX (CAN.).

4. BOTH DISAPPROVALS WERE PROPOSED TAKEOVERS BY US
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FIRMS. THREE OF THE APPROVALS WERE TAKEOVERS BY US FIRMS AND ONE EACH BY CANADIAN-US FIRM, WEST GERMAN FIRM, COMPANY CONTROLLED BY FRENCH STOCKHOLDERS, AND AN AUSTRALIAN FIRM. THREE OF FIRMS TAKEN OVER BY GERMAN, FRENCH AND US INTERESTS WERE US SUBSIDIARIES.

5. PRESS RELEASE NOTES THAT APPROVALS WERE BASED ON INITIAL PROPOSALS AND "UNDERTAKINGS SUBSEQUENTLY GIVEN IN EACH CASE", SUGGESTING THAT APPLICANTS MAY HAVE BEEN PRESSED BY FIR ATO IMPROVE THEIR ORIGINAL

PROPOSALS.

6. EMBASSY POUCHING COPIES OF ANNOUNCEMENT AS
ENCLOSURE TO AIRGRAM 553.

7. OCTOBER 31 ANNOUNCEMENT ON 10 PROPOSALS BRINGS
TOTAL FIRA DECISIONS TO 18. EIGHT OTHER TAKEOVER BIDS
WERE PREVIOUSLY ALLOWED.
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